

DIRECTORATE OF INTELLIGENCE



Central Intelligence Bulletin

Top Secret

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Communist China - Hong Kong: Peking is maintaining its pressure on the British in Hong Kong, but the colony remains relatively calm.

The Communist call for a four-day suspension of sales by food vendors in the colony has been largely ineffective. The mainland Chinese have stopped food deliveries to Hong Kong, however, and this has set off hoarding and inflation. Food stocks in the colony are reported adequate for at least several weeks, and alternate sources of supply can be found. Moreover, an extension of the food strike would probably be counterproductive to the Communist campaign, since the poorer segments of the populace, to whom the Chinese look for support, would be hit hardest.

Peking's refusal to reply to a British request for additional water, made last month, has led the British authorities to curtail water rations. The colony's water supply is not critically short at this time, however, and the advent of the rainy season in a few weeks will further increase the supply.

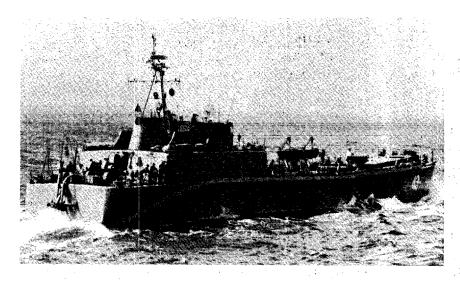
On 29 June, Communist China	a officially protested
alleged overflights of Chinese terr	ritory by British
aircraft flying out of Hong Kong.	

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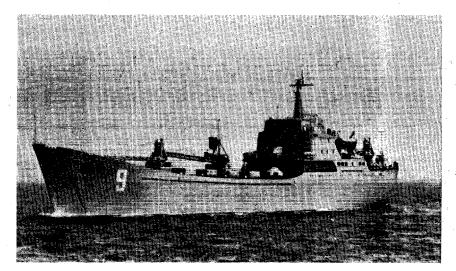
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USSR: The Soviets have augmented their naval landing force in the Mediterranean.

These units and an Alligator-class landing ship now near Crete may join a Soviet naval force operating off the Syrian coast.

The four amphibious ships when fully loaded can carry for short periods approximately 1,500 troops with heavy weapons. There is no evidence, however, that these ships are fully loaded with either personnel or equipment.

one Alligator probably called at Latakia, Syria, sometime during the period 17-26 June.

The initial decision to add a unit of this type to the Soviet forces in the Mediterranean evidently was made before the outbreak of hostilities in the Middle East. The other three, however, left home waters after 15 June. It is highly unlikely that the Soviets expect new fighting or that they intend to become directly involved militarily in the Middle East. Moscow may believe, however, that there is political utility in raising such a prospect. (Photos)

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Britain - South Arabia: If a new effort to form a more broadly based government fails, the British may evacuate South Arabia sooner than planned.

London has switched its attentions from the Egyptian-backed Front for the Liberation of Occupied South Yemen (FLOSY) to the rival Front for National Liberation in an effort to get Adeni nationalists into a federal government.

The British acknowledge that the odds are against success. The Arab-Israeli war has made it more difficult than ever for any nationalist leader to participate in a British-backed government. Furthermore, tribal rivalries make it unlikely that any of the military leaders London hopes would join a new government could deliver support of the armed forces.

teriorating security situation throughout the federation. Terrorism is expected to become more difficult to handle--in part because of the nationalists' occupation of Aden's Crater district. Splits in the armed forces have weakened federal control upcountry and have made a smooth turnover of internal security responsibilities in Aden less likely than ever.

the possibility of putting together a viable government now seems so unlikely that there may be little point in Britain's staying on until January.

London has ordered British dependents evacuated as soon as possible.

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Zambia - Communist China: President Kaunda appears willing to develop a closer association with Communist China following his recent visit to Peking.

Kaunda, who was greatly impressed by the Chinese, is said to believe that Zambia would benefit from closer Sino-Zambian ties, although he is concerned about controlling Chinese interference in domestic affairs.

The two governments are negotiating an agreement under which the Chinese would help build the controversial Zambia-Tanzania rail line--a project which both Zambia and Tanzania regard as a matter of urgency, but whose economic value has been questioned.

Kaunda is insisting that the number of Chinese sent to Zambia in connection with the project be limited and their movements restricted. Even if Peking agrees to these terms, which would still permit relatively large numbers of engineers and technicians to enter Zambia, Kaunda intends to postpone a final go-ahead for a few weeks until he hears from potential Western sources. In any event, some increase in the Chinese presence seems likely.

NOTE

Communist China - Burma: An extended period of continuing tension appears likely. In a government statement on 29 June, Peking announced that it will not send its ambassador back to Rangoon and repeated earlier demands that the Ne Win regime guarantee the safety of Chinese nationals and diplomats. Largescale demonstrations outside the Burmese Embassy in Peking continued yesterday, but Rangoon remained quiet.

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